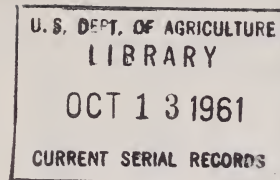


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JUNE 1961

FOR RELEASE
JUNE 29, P. M.

DPS-78

THE DEMAND AND PRICE SITUATION

SUMMARY

Higher farm product prices, stable prices paid by farmers, and larger cash receipts than a year earlier characterized the farm situation during January-May 1961. Farm real estate values on March 1, 1961, were about 1 percent above the year ago and 2 percent above last November.

Prices received by farmers averaged 1.3 percent higher through mid-May than a year earlier, with crop prices almost 1 percent higher and livestock and product prices 1.6 percent higher despite price declines for cattle and poultry in the second quarter of the year. Since mid-May, price movements of major commodities at central markets have been mixed, with little overall change indicated through early June.

Cash receipts from marketings through May totaled about 5 percent more than in 1960. In addition to higher prices, marketings of crops and livestock and products were 4 percent larger than a year earlier. Cash receipts in May are estimated at \$2.3 billion, slightly below May 1960.

Income to farmers is being supplemented this year by payments to farmers participating in the 1961 feed grain program. Through June 2 certificates covering about \$265.3 million worth of grain had been issued to farmers under advance payment provisions of the program.

For the economy overall, most economic indicators advanced further in May and early June from the 1960-61 recession low last winter. The flow of personal income rose to a record annual rate of \$413.7 billion in May, and retail sales recovered some. Unit auto sales in late May equaled year ago levels but they were still 8 percent below May 1960. Much of the recovery in manufacturers' new orders, sales, and production has been associated with the change from rapid liquidation of inventories last winter to moderate accumulation this quarter. Increased construction activity and Government spending also contributed to the improvement in business activity this spring.

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U. S. DEPARTMENT OF
AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1960		1961				
		Year	May	Feb.	Mar.	Apr.	May	
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	110	102	102	105	108	
Final products	do.	111	112	107	107	109	111	
Consumer goods	do.	115	117	110	111	113	115	
Autos	do.	117	122	73	71	92	101	
Equipment, including defense	do.	103	104	99	99	100	102	
Materials	do.	106	107	98	99	103	106	
Construction: <u>2/ 3/</u>								
Total outlays	Mil. dol.	55,148	55,260	54,846	55,177	55,323	56,461	
Public construction	Mil. dol.	16,223	16,344	17,750	17,376	16,485	17,197	
Private residential	Mil. dol.	22,022	22,180	19,671	20,287	21,265	21,728	
Housing starts	Thousands	1,238	1,315	1,184	1,282	1,176	1,276	
Manufacturers' sales and inventories: <u>2/</u>								
Total sales, seasonally adjusted	Mil. dol.	30,417	30,990	29,030	29,550	30,190		
Durable goods	Mil. dol.	14,692	15,060	13,320	13,690	14,150		
Unfilled orders-sales ratio <u>4/</u>		3.17	2.96	3.21	3.12	3.05		
Inventory-sales ratio, total <u>5/</u>		1.77	1.78	1.85	1.80	1.77		
Durable goods		2.10	2.13	2.30	2.21	2.13		
Employment and wages: <u>6/</u>								
Total civilian employment	Millions	66.7	67.2	64.7	65.5	65.7	66.8	
Nonagricultural	do.	61.0	61.4	59.9	60.5	60.7	61.2	
Unemployment	do.	3.9	3.5	5.7	5.5	5.0	4.8	
Workweek in manufacturing	Hours	39.7	39.9	38.9	39.1	39.3	39.6	
Hourly earnings in manufacturing	Dollars	2.29	2.29	2.31	2.32	2.33	2.34	
Income and spending:								
Personal income <u>2/ 3/</u>	Bil. dol.	404.2	404.7	406.2	409.8	411.3	413.7	
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,049	52,991	54,102	53,906	53,972		
Automobile	Mil. dol.	17,866	17,431	17,383	17,265	17,200		
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,319	18,480	17,795	18,127	17,914	18,122	
Durable goods	Mil. dol.	5,928	6,043	5,348	5,547	5,438	5,594	
Inventory-sales ratio <u>5/</u>		1.39	1.36	1.40	1.35	1.36		
Prices: <u>6/</u>								
Wholesale prices, all commodities	1947-49=100	120	120	120	120	119	119	
Commodities other than farm and food	do.	128	128	128	128	128	128	
Farm products	do.	89	90	90	90	87	88	
Foods processed	do.	108	107	110	110	108	109	
Consumer price index, all items	do.	126	126	128	128	128		
Food	do.	120	120	121	121	121		
Prices received by farmers <u>7/</u>	1910-14=100	238	240	244	243	239	236	
Crops	do.	221	225	221	224	226	230	
Livestock and products	do.	253	252	263	259	251	241	
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	301	301	302	302	302	
Family living items	do.	290	291	291	290	290	291	
Production items	do.	265	267	267	269	267	266	
Parity ratio <u>7/</u>		80	80	80	80	79	78	
Farm income and marketings: <u>7/</u>								
Volume of farm marketings	1947-49=100	132	104	104	103	97	106	
Cash receipts from farm marketings	Mil. dol.	33,746	2,298	2,287	2,272	2,136	2,300	

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, June 22, 1961

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*** COMMODITY HIGHLIGHTS ***

The 1961 spring pig crop is estimated to be 7 percent larger than last year. With hog production increasing, prices this summer will probably average close to last summer, then fall a little lower than a year earlier.

Cattle prices received by farmers declined further from April to May, and at mid-month were 4 percent below a year ago. Slaughter in the first half of 1961 totaled 4 percent above the same period in 1960.

Milk-feed price relationships continue favorable with little change expected this summer. The average price to farmers for all wholesale milk in mid-May was \$3.89 per hundredweight, 7 cents above May 1960.

Egg production in January-May was about $2\frac{1}{2}$ percent below the year ago. Prices in the first quarter averaged 23 percent higher, but in April and May were below last year. With a prospective increase in egg production compared to the like period in 1960, prices this fall will probably be lower than a year ago.

Shorn wool payments for the marketing season April 1960 to March 1961 will amount to 47.6 percent of the dollar returns received from the sale of shorn wool, compared with 43.2 percent last year. This is the amount needed to bring the 1960 marketing season shorn wool price of 42.0 cents per pound up to the previously announced incentive level of 62 cents per pound.

The total wheat supply for the marketing year beginning July 1, 1961 is estimated as 3 percent larger than the record 2.7 billion bushels last year. Cash wheat prices, after declining generally from late January, have strengthened since the latter part of May. The firming of prices reflects unusually large purchases for export from remaining "free" supplies of old-crop wheat.

Prices received by farmers for corn, oats, barley, and sorghum grains rose from April to May, but the index of feed grain prices still averaged 4 percent lower than a year earlier. Large quantities of corn and sorghum grains have been placed under price support, reducing supplies outside the support program, and the heavy sign-up under the 1961 emergency feed grain program indicates smaller acreage and production for 1961 than last year.

Soybean prices have dropped substantially in recent weeks. Prices through mid-summer, nevertheless, will continue above last year, as bean crushers and exporters compete for the remaining smaller supply than in the same period last year. Soybean crushings for the 1960-61 season are estimated at 405 million bushels and exports at 141 million. This would leave a carry-over of old crop beans next October 1 at 5 million bushels, well below the 23 million last year.

A somewhat larger production of deciduous fruits is expected for 1961 than a year ago. For the 1961-62 citrus crops, the June 1 condition of oranges and grapefruit was reported below last year and average, but the condition of lemons was higher than last year.

Early June estimates indicate moderately less fresh vegetables will be available in early summer than last year. Development of crops in most sections has been delayed by cold, wet weather. The supply of watermelons during the next few weeks is expected to be down 12 percent from last year and cantaloups down about 8 percent.

Stocks of cotton held by CCC on August 1, 1961 will probably be the smallest for the date since 1952 when CCC held 0.3 million bales. CCC stocks have been drawn down rapidly since the announcement of a higher support rate and an increase in the rate of export payment for the 1961-62 season.

Auction prices for Maryland tobacco through mid-June are averaging $3\frac{1}{2}$ percent above the corresponding period of last year.

*** GENERAL AGRICULTURAL SITUATION ***

Farm product prices, marketings, and cash receipts during January-May 1961 were above year ago levels. Prices paid by farmers for living items and production expenses were stable. With higher retail food store sales reported through April than a year ago, and a smaller rise in food prices, consumer demand for food probably increased somewhat. Food use has been supplemented by increased USDA donations in this country and abroad.

January-May Prices Received
Above 1960

Farm product prices for the period January-May averaged 1.3 percent higher than a year earlier. Prices received by farmers for crops were almost 1 percent above the corresponding 5 month period in 1960 and livestock and livestock product prices averaged 1.6 percent higher. While crop prices have remained above year-ago levels each month since February, livestock and livestock product prices dropped below the levels of a year earlier in April and continued lower in May.

Soybean Prices Led Crops

During the first five months of 1961, price indexes for oil-bearing crops, fruits, and tobacco averaged above year-ago levels but prices for food and feed grains, cotton, and vegetables were lower.

Prices for oil-bearing crops, up 22 percent from January-May 1960, reflect the very strong price situation for soybeans. In this period, prices received by farmers for soybeans averaged a third higher than a year earlier. The average price for January-May, \$2.67 per bushel, was the highest price for this period since the \$3.22 average price received in the first five months of 1954. While soybean prices have dropped substantially in recent weeks, prices during the remainder of the marketing year are likely to average well above last year, as bean crushers and exports compete for the reduced supply. The favorable price situation for soybeans in January-May reflected a strong domestic and export demand for edible oils along with a high domestic demand for protein feeds. Domestic demand for food fats and oils has increased about in line with population growth, but demand abroad has strengthened more. When supplies abroad are limited, as they are this year, a strong export demand is created for fats and oils from the United States.

During October 1960-March 1961 domestic disappearance and exports of vegetable oils averaged more than 7 percent above the year earlier while total supplies rose only about $5\frac{1}{2}$ percent. A smaller supply of cottonseed oil and sharply reduced lard supplies, coupled with a strong demand for fats and oils, in this period, raised prices for soybean oil (crude, Decatur) almost 40 percent higher than a year earlier; cottonseed oil prices (crude, Valley) were up almost a fifth; and lard prices (tanks, loose, Chicago) were around 43 percent higher.

Hogs and Eggs Led Livestock
and Product Prices

The 1.6 percent gain in livestock and livestock product prices in January-May this year compared with a year ago resulted from strong hog and dairy product prices throughout this period, coupled with substantially higher egg prices in the first quarter of this year than a year earlier. Prices for beef cattle, broilers, turkeys, and wool averaged below the corresponding months last year.

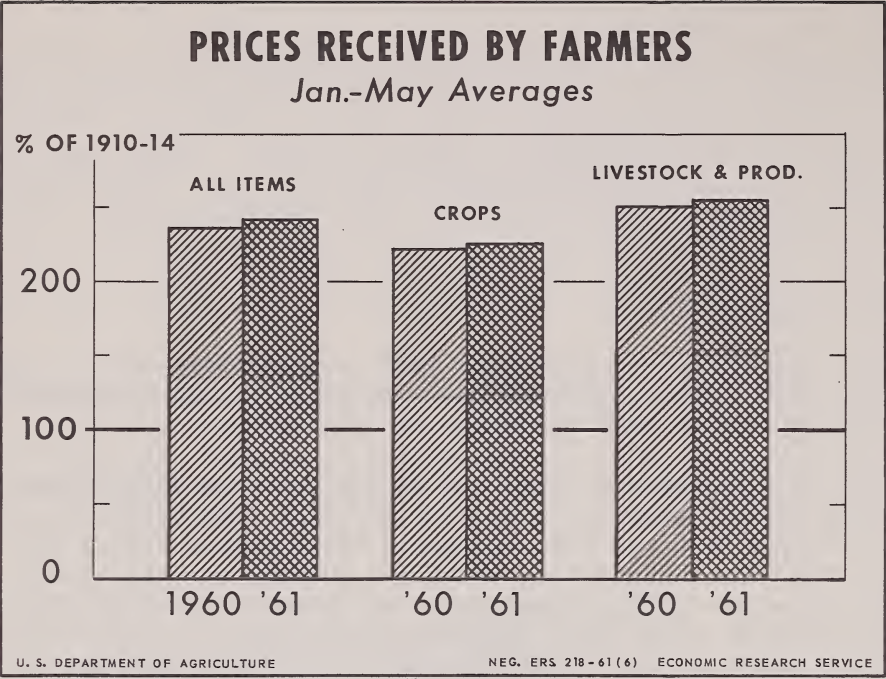


Figure 1

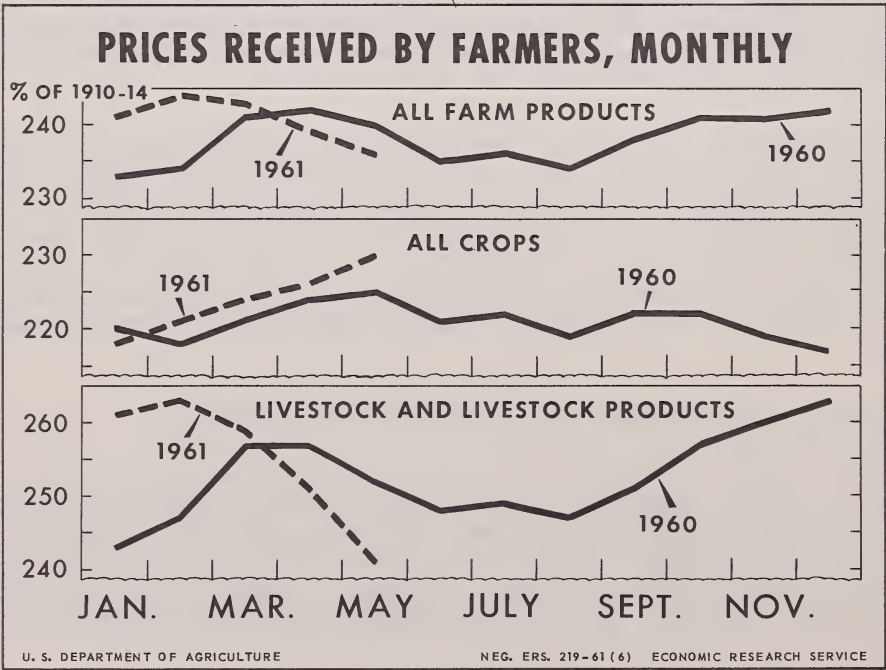


Figure 2

The strong price position for hogs reflects the 8 percent smaller supply in the first 5 months of this year than a year earlier. Hog prices received by farmers in each month from January to May have averaged above a year ago and for the period averaged more than 18 percent above the \$14.20 per hundred-weight in the same months of 1960. The favorable return-cost situation that has prevailed since the spring of 1960 has led to expanding hog numbers. The 1961 spring pig crop is estimated to be 7 percent larger than last year's crop and producers plan for 2 percent more sows to farrow fall pigs. As a result, hog prices this fall and winter are expected to be a little lower than a year earlier.

Egg prices, while weakening in the second quarter of this year, averaged $3\frac{1}{2}$ cents above the 32.5 cents per dozen received by farmers in January-May 1960. The favorable price situation through this winter and early spring led farmers to increase substantially the number of replacement type chicks started. The January through May hatchery output of egg-type chicks was 19 percent above a year earlier. The prospective increase in egg production compared to the corresponding period in 1960 points toward fall egg prices lower than a year ago, although seasonally higher than the levels of spring and summer.

Cattle prices trended downward through mid-May and averaged almost 4 percent below the like period in 1960, largely due to increased beef supplies. Cattle slaughter in the first five months of 1961 was 4 percent above the year earlier, with most of the gain taking place this spring, the period of sharpest price decline.

Broiler and turkey production have been record large so far this year and prices during January-May were substantially lower than the year before. The favorable 1960 prices received for these commodities contributed to the large increase in output so far this year.

May 1961 Prices Decline

Although farm product prices in the first five months of 1961 have averaged above the January-May 1960 level, overall prices in April and May were slightly below the year ago. In mid-May, the Index of Prices Received by Farmers dropped slightly more than 1 percent (3 points) from mid-April to 236 percent of its 1910-14 average. Lower prices for meat animals, dairy products, and poultry and eggs accounted for most of the decline.

Prices of meat animals eased off further from the February-March high during the month ended May 15, and, except for hogs were below a year earlier. Cattle prices declined in line with uptrends in marketings. Hog prices were 5 percent below mid-April but prices will probably strengthen as slaughter declines seasonally. Dairy product prices, while lower than in mid-April, declined less than seasonally. Declines in prices of commercial broilers and farm chickens during the month were sharper than usual, but prices of eggs and turkeys decreased less than usual. Broiler prices have continued their steady decline since February and in mid-May averaged 3 cents below a year ago.

Slaughter of broilers in inspected plants (covering about 85 percent of U. S. production) in May was about 20 percent above last year. Broiler supplies will be large well into July and only moderate price recovery can be expected.

1961 Cash Receipts Above Year Ago

While prices during April and May weakened slightly, cash receipts from marketings for the first five months of this year are running 5 percent above a year earlier. Receipts from crops amounted to \$4.1 billion, almost 7 percent larger than in 1960 and receipts from livestock and products totaled \$7.9 billion, 4 percent larger than in the same period of 1960.

In addition to higher average prices in the first five months of 1961, marketings of crops and livestock were 4 percent larger than a year earlier. Wheat, corn, soybeans, cattle and calves, and broiler marketings, were up substantially while marketings of hogs and eggs were smaller.

May Receipts Near 1960 Level

Cash receipts from marketings in May are estimated at \$2.3 billion, slightly below May 1960. Livestock receipts amounted to \$1.7 billion, the same as the year earlier. A larger volume of marketings was offset by lower prices received for livestock and products. Receipts from crops--\$0.6 billion--were down more than 7 percent from the year ago as fewer marketings more than offset slightly higher crop prices.

Farmers Receive Feed Grain Program Payments

Advance payments to farmers under provisions of the 1961 feed grain program totaled about \$265 million as of June 2. Farmers have indicated their intention to divert 20.1 million acres of their average 1959-60 acreage of corn and 6.6 million acres of their comparable grain sorghum acreage to soil conserving uses. Possible advance payments approximate \$340 million, about half of the estimated potential total payments under the program. Payments are made to farmers in the form of certificates for placing corn and grain sorghum acreage in conserving uses.

Of the \$265 million worth of certificates issued through June 2, farmers had cashed about \$241 million. Under the provisions of the program, the Commodity Credit Corporation pays farmers in cashable sight drafts and then later acts as their agent in marketing the quantity of grain covered by the certificates. In addition, farmers through June 9 had used about \$1.3 million worth of certificates to purchase from CCC 620 thousand bushels of corn, barley, and oats, and 14,339 hundredweight of grain sorghum.

Farmland Values Rise

Farm real estate values on March 1, 1961 were about 1 percent above the year ago, and 2 percent above last November. The improved outlook for farm income in 1961 compared with last fall appears to be a major factor in checking the weakening in land prices that had developed in the central part of the country last year.

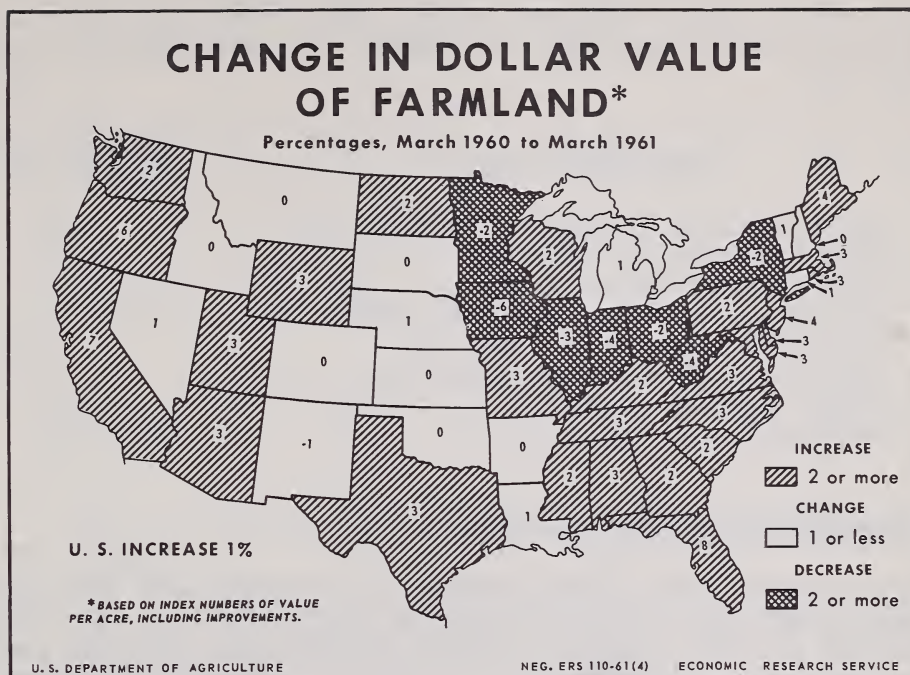


Figure 3

Although the prospective higher farm income for 1961 provides some short-term support for an increase in land values, it does not greatly alter the longer term tendency for land values to reflect many influences other than net farm income. Realized net farm income since 1954 has ranged between \$11 to \$13 billion, yet prices of farm real estate have advanced by more than a third. As a result, the rate of return on current market values has declined in recent years. For the last two years, it has remained at around 3 percent.

Prices Paid Close to Year Ago

Prices paid by farmers for family living and production items, interest, taxes, and farm wage rates through mid-May averaged virtually the same as a year ago. While interest and taxes were around 7 percent higher than in 1960, prices paid for family living and production items are at year ago levels.

The stability in prices paid for family living items reflects higher prices for food, clothing, and household operation and furnishings offset by lower prices for home building materials and auto and auto supplies.

Production items have averaged the same as year-ago-levels largely due to a decline in motor vehicle and seed prices, and a sharp drop in feeder livestock prices during the month ended May 15. Changes in prices paid by farmers for these items were:

<u>Production items</u>	<u>Percentage change 1960 to 1961</u>
Motor vehicles (January 15 to March 15)	- 2.9
Seed (February 15 - May 15)	- 1.5
Feed (January 15 - May 15)	- .7
Building and fencing materials (March 15)	- .5
Livestock (January 15 - May 15)	.1
Fertilizer (March 15 and April 15)	.7
Motor supplies (March 15)	1.7
Farm machinery (March 15)	2.4

Food Use Supplemented by USDA Donations

Sales by retail food stores through April totaled more than 3 percent higher than a year ago. With retail prices for food at home up a little less than 3 percent, the total quantity of food demanded probably rose somewhat. For 1961, civilian food consumption per person is expected to average about the same as in 1959 and 1960.

Through April, the retail cost of the market basket of farm food averaged 3 percent higher than in 1960. The farm value of products included in the basket rose about the same amount. As a result, the farmers' share of retail cost, 39 percent, was unchanged from a year ago.

Supplementing retail demand were increased food donations by the USDA at home and overseas. During the first nine months of fiscal year 1961 (July 1960 through March 1961) donations of food to schools and charitable institutions in this country and to needy persons both here and abroad were 23 percent greater than a year ago. Distribution to domestic recipients in the nine-month period amounted to 835 million pounds, almost a 15 percent increase over last year. Foreign donations totaled 1.7 billion pounds, up 28 percent from the year earlier. Foods donated are acquired by USDA in price-support and surplus-removal operations, and made available through the Department's Direct Distribution Program.

Agricultural Exports Rise Sharply

In the first 10 months of the fiscal year ending June 30, 1961, the value of agricultural exports totaled \$4.2 billion, nearly 12 percent more than during the comparable period of the previous year. A one-third increase in the volume of wheat and flour exports and smaller increases in volume but rising prices for cotton, tobacco and soybeans accounted for the bulk of the net

Table 1.--Quantities of Foods Donated for Domestic and Foreign Use
July-March, 1960 and 1961

Commodities	Domestic use						Foreign use						Total use	
	Schools			Institutions			Needy persons			Total				
	1960	1961	Mil. lb.	1960	1961	Mil. lb.	1960	1961	Mil. lb.	1960	1961	Mil. lb.	1960	1961
Beans, Dry	.2	3.9	1/	.7	19.5	24.1	.2	24.1	---	---	---	---	.2	24.1
Butter	60.5	64.8	7.1	16.4	.9	89.0	68.5	89.0	---	---	---	---	68.5	89.0
Cabbage	---	1.4	---	.9	---	2.3	---	2.3	---	---	---	---	---	2.3
Cheese	34.6	11.2	.1	---	1/	11.2	34.7	11.2	---	---	---	---	34.7	11.2
Corn	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Corn Meal	14.1	14.1	5.8	6.1	85.6	112.8	105.5	112.8	19.6	251.7	279.0	357.2	19.6	391.8
Date Pieces	---	1.7	---	---	---	1.7	---	1.7	---	---	---	---	---	1.7
Eggs, Dried	.9	2.5	.9	1.1	12.2	13.0	14.0	13.0	---	---	---	---	14.0	13.0
Flour	77.5	93.9	59.8	58.6	151.9	314.6	289.2	314.6	790.3	883.9	1,079.5	1,198.5	790.3	1,198.5
Honey	1.0	.6	---	---	---	.6	1.0	.6	---	---	---	---	1.0	.6
Lamb Carcasses, Frozen	---	---	---	.4	---	.4	---	.4	---	---	---	---	---	.4
Lard	---	.9	3.4	6.2	16.8	43.6	20.2	43.6	---	---	---	---	20.2	43.6
Milk, Nonfat Dry	20.3	23.0	10.4	11.1	78.7	115.3	109.4	115.3	159.5	317.7	---	---	159.5	433.0
Olives, Cnd.	---	1.6	---	---	---	1.6	---	1.6	---	---	---	---	---	1.6
Olive Oil	.3	1/	---	---	---	1/	.3	1/	---	---	---	---	.3	1/
Peanut Butter	5.9	6.2	---	---	---	7.1	5.9	7.1	---	---	---	---	5.9	7.1
Pork and Gravy	---	---	---	---	6.5	6.5	---	6.5	---	---	---	---	---	6.5
Potatoes, Sweet	.8	---	.6	---	---	---	1.4	---	---	---	---	---	1.4	---
Poultry, Cnd.	---	---	---	4.0	---	4.0	---	---	---	---	---	---	---	---
Rice	19.8	20.3	6.8	6.2	52.1	85.8	78.7	85.8	74.3	173.2	---	---	153.0	259.0
Rolled Oats	---	---	---	---	1.7	1.7	---	1.7	---	---	---	---	---	1.7
Wheat	---	---	---	---	---	---	---	---	41.6	39.9	---	---	41.6	39.9
Total	235.9	246.1	94.9	111.7	398.2	835.3	729.0	835.3	1,337.0	1,713.8	2,066.0	2,549.1	1,337.0	2,549.1

1/ Less than 50,000 pounds.
Agricultural Marketing Service.

increase. A 12 percent rise in rice exports was largely offset by lower unit prices. Feed grains moved out in about the same volume, as larger corn exports offset declines in barley, oats and grain sorghums; prices were somewhat lower. Conversely, reduced exports of fats and oils were only nominally offset by higher prices.

Exports are expected to continue at the current rate, generally in line with earlier estimates, except for wheat. Wheat and flour exports for the year are expected to reach 665 million bushels. With the bulk of late June wheat shipment and to a lesser extent other commodities moving under U. S. Government export programs--which require that at least 50 percent of such exports be on U. S. flag ships--the shipping strike may cut into the anticipated fiscal year total of close to \$5 billion.

The record export rate maintained during the past 2 years has taken a much larger share of U. S. production than it had previously, even in face of larger production for some commodities. In the 5 marketing years ending during 1959, average exports and shipments equaled about a fourth of U. S. output of food fats, about a third wheat and cotton, about 40 percent of the nonfood fats (mainly tallow) and close to 60 percent of the rice. Estimates for the current year's exports, in relation to the 1960 crops equal about 70 percent of this year's rice crop, nearly half of the near record wheat crop, more than 45 percent for cotton and tallow and close to 30 percent for food fats and tobacco.

Table 2.--U. S. agricultural exports, July 1960-April 1961

Commodity	Unit	Quantity	Change from year ago	
			Quantity	Value
		<u>Mil.</u>	<u>Pct.</u>	<u>Pct.</u>
Wheat and flour	: Bu.	: 548	33	35
Rice, milled basis	: Cwt.	: 18.8	12	4
Feed grains ^{1/}	: Sh. tons	: 10.5	-2	-4
Cotton	: R. bale	: 6.4	14	23
Tobacco, unmanufactured	: Lb.	: 453	12	15
Soybeans	: Bu.	: 124	17	20
Soybean and cotton oil	: Lb.	: 1,061	-17	-16
Lard and tallow	: Lb.	: 1,616	-14	-12
Total agricultural commodities	: Dol.	: 4,200	<u>2/</u> 10	12

^{1/} Corn and cornmeal, barley and malt, oats and oatmeal, grain sorghums for trade data.

^{2/} ERS quantity index, average of unadjusted monthly data.
Bureau of Census.

*** FACTORS AFFECTING DEMAND FOR FARM PRODUCTS ***

The economy continued the recovery in May and early June from the lows of the 1960-61 recession last winter. The improvement so far has been associated with rising inventory demand, higher construction and Government spending.

Rising Income and Purchases

With rising economic activity, the flow of personal income in May, at \$413.7 billion, was 2 percent above February and 1 percent above the 1960 high last October. Higher wage and salary payments, resulting from a small rise in nonfarm employment and weekly earnings, accounted for most of the uptrend in income. The average factory workweek rose to 39.8 hours in May, up from the 1960-61 recession low of 38.3 in December. Average weekly earnings for manufacturing were \$3.11 above the December low of \$89.55.

Consumer purchases declined between the fourth quarter of 1960 and the first quarter of 1961 but are now rising. Retail sales, the best current indicators of spending, were \$18.1 billion, seasonally adjusted in May, up 1 percent from both April and the first quarter average. A rising trend of dealer sales of new cars was a major factor in increasing retail sales in May. For the month, the average daily selling rate was 9 percent below a year ago, but in the final third of May, sales were about even with a year ago. In early June dealer sales declined some from late May. Auto installment credit declined about \$500 million, seasonally adjusted, from January-April 1961, it rose \$800 million, in contrast, during the first 4 months of 1960. Sales of durable goods stores in May at \$5.6 billion, seasonally adjusted, were the highest since last fall but below the \$6 billion level of May 1960. Nondurable goods sales, seasonally adjusted, totaled \$12.5 billion, about the same as March but 1 percent above a year ago.

Consumer Prices Steady

Retail prices have been fairly stable since last fall. The cost of farm family living items in mid-May at 291 (1910-14=100) was up a point from April but the same as in the period November to February. Urban consumer prices also have been fairly stable ranging from 127.3 to 127.5 (1947-49=100) between October and April. The cost of services since last fall has continued to rise but commodities other than food declined slightly.

Increasing Inventory Demand

Inventory liquidation was at an annual rate of \$4.5 billion in the first quarter of 1961, but in April the book value of manufacturing and trade stocks rose a little, indicating a shift from liquidation to a small accumulation as business prospects improved. Manufacturers' stocks reached a peak of \$55 billion at the end of June 1960 and declined \$1.4 billion by the end of the year. In the first quarter of 1961, they declined an additional \$400 million. In April the book value of manufacturers' inventories rose about \$100 million.

Table 3.--Selected economic indicators May 1960 and February-May 1961, seasonally adjusted

Item	Unit	1960					1961				
						May					
						Feb.					May
Manufacturing and trade inventories											
Manufacturing	Bil. dol.					91.7				91.1	n.a.
Retail	Bil. dol.					53.6				53.4	n.a.
	Bil. dol.					24.9				24.4	n.a.
Manufacturers' new orders											
Durable	Bil. dol.					29.11				30.72	n.a.
	Bil. dol.					13.36				14.58	n.a.
Industrial production											
Materials	1957=100					102				105	108
Iron and steel	1957=100					98				103	106
Consumer goods	1957=100					69				79	89
Autos	1957=100					110				113	115
Home goods and apparel	1957=100					73				92	101
Business equipment	1957=100					109				114	117
	1957=100					101				102	103
Construction outlays, private ^{1/}											
Residential	Bil. dol.					37.1				38.8	39.3
Commercial and industrial	Bil. dol.					19.7				21.3	21.7
	Bil. dol.					7.6				7.2	7.1
Personal income ^{1/}											
Wage and salary payments	Bil. dol.					406.2				411.3	413.7
	Bil. dol.					271.0				275.1	276.9
Civilian labor force											
Employment	Millions					71.9				71.4	71.4
Non farm	Millions					66.8				66.5	66.6
Manufacturing	Millions					52.0				52.2	52.4
State and local Governments	Millions					15.5				15.7	15.9
	Millions					6.5				6.5	6.5

^{1/} Annual rates.

n. a. Not available.

Federal Reserve Board, and U. S. Departments of Commerce and Labor.

Inventories of retail firms increased from \$25.2 billion at the end of August to \$25.4 billion at the end of December. During the first quarter retailers' stocks were reduced \$1 billion; they were unchanged in April. Practically all the changes in retailers' stocks in 1961 occurred in autos, which declined from \$5.3 billion in December to \$4.3 billion at the end of April.

Industrial Production Advances

The change from inventory liquidation to moderate accumulation, coupled with a rise in consumer spending, construction activity, and Government purchases have been major factors in the upturn in manufacturers' new orders, sales, and industrial production. Manufacturers' new orders in April were \$30.7 billion, 8 percent higher than in January. Manufacturers' shipments were up 5 percent in the same period. Industrial production reached a low in February. The Federal Reserve Board's index in May was 108 percent of the 1957 average, 6 percent above February, but 2 percent below a year ago.

Steel and auto production have moved up sharply since February, accounting for a major part of the rise in the industrial production index. During the last half of 1960 output of steel consuming industries exceeded production and stocks were worked down. Primary metals output reached a low of 69 in December; in May the index was up 32 percent. Last fall auto sales declined and stocks climbed to record levels, resulting in a 42 percent cutback in production from October to March. With dealer sales rising since last February the index of production rose 43 percent, after seasonal adjustment, between March and May. During the same period there was some reduction in dealers' stocks from the record level in early 1961. The index of auto production in May was 17 percent below a year ago. Since February, output of home goods, apparel, and consumer staples have increased a little. Output of equipment (including defense) which declined about 5 percent during the 1960-61 recession, rose $2\frac{1}{2}$ percent from February to May.

With increasing economic activity in recent months prices of lumber, scrap metal, and leather products have picked up but they were offset by declines in fuel and textiles. The index of wholesale industrial prices has been stable at about 128.0 (1947-49=100) since mid-1960.

Small Rise in Capital Spending Likely

Businessmen are apparently holding to their early season spending plans for 1961. The most recent survey conducted by the Securities and Exchange Commission and Department of Commerce indicates that capital spending in April-June will be at an annual rate of \$33.8 billion, about the same as in January-March. In July-September spending is scheduled to rise to a 34.5 billion annual rate, with a further moderate rise indicated in the final quarter.

For 1961 as a whole, capital spending is expected to total \$34.5 billion, about 3 percent less than 1960. Between 1960 and 1961, outlays of railroad firms are expected to be down about a third, nonrail transportation firms outlays down about 9 percent, and durable goods manufacturing firms down about 10 percent. Nondurable goods firms are expecting to increase outlays 3 percent

in 1961, led by an increase of about a fifth in the food industry. Outlays of public utility and mining companies are expected to be a little higher than in 1960.

Table 4.--Expenditures for new plant and equipment, 1960-61 1/

Item	:	:	:	:	1961	
	:	:	:	:	:	:
	1960	1961 <u>2/</u>	Apr.- June	Jan.- Mar.	Apr.- June <u>2/</u>	July- Sept. <u>2/</u>
	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>
Manufacturing	14.48	14.00	14.70	13.75	13.65	14.05
Durable goods industries	7.18	6.45	7.40	6.50	6.30	6.40
Nondurable goods industries	7.30	7.55	7.30	7.25	7.35	7.70
Mining	.99	1.03	1.05	.95	1.00	1.05
Railroad	1.03	.70	1.10	.70	.75	.65
Transportation, other than rail	1.94	1.76	2.15	1.75	1.85	1.85
Public utilities	5.68	5.91	5.70	5.35	5.75	6.15
Commercial and other <u>3/</u>	11.57	11.05	11.60	11.30	10.90	10.80
Total	35.68	34.46	36.30	33.85	33.85	34.60

1/ Quarterly data, seasonally adjusted at annual rates.

2/ Estimates are based on anticipated expenditures reported by business in late April and May 1961.

3/ Includes trade, service, finance, communication and construction.

Note. Details may not add to totals due to rounding.

Securities and Exchange Commission and Department of Commerce.

Construction Activity Strengthens

Construction activity rose more than seasonally between April and May and was 3 percent above the low for the year in February. The value of new construction put in place in May was \$56.5 billion, seasonally adjusted annual rate, up 2 percent from April, and 3 percent higher than a year ago. Much of the recent improvement in construction outlays was due to a pickup in private housing activity which was up about a tenth between February and May. Private nonfarm housing starts, seasonally adjusted at annual rate, reached a low of a little less than a million units in December; in May starts were at a rate of 1,276,000 units. One of the important reasons for the pickup is the declining trend of mortgage interest rates. In February, the FHA reduced the maximum rate on mortgages from 5-3/4 to 5-1/2 percent and a further reduction to 5-1/4 percent was made in May. Mortgage rates in early 1960 were the highest in the postwar period.

Private industrial and commercial construction outlays declined from February to May, but farm, public utility and private hospital building was up moderately. Public construction declined from a \$17.8 billion rate in February to \$17.2 billion in May due mostly to lower outlays for military facilities.

Nonfarm Jobs Up Moderately

The number of nonfarm jobs rose about half a million from March to May, after seasonal adjustment, but employment at 52.4 million was 659,000 below a year ago. Most of the increase in employment in recent months was among manufacturing firms, but trade service jobs picked up some. State and local Government employment continued to rise this spring. Overall the rise in employment (including agriculture, self employed, and unpaid family workers) since March was about the same as the growth in the labor force. This resulted in a seasonally adjusted rate of unemployment of close to 7 percent of the civilian labor force between January and May, well above the 5-1/2 percent rate in the first 5 months of 1960.

Employer hiring plans indicate some improvement in employment through mid-July according to surveys of the Bureau of Employment Security and affiliated State Employment agencies. The increases are expected to be a bit higher than in 1958, but about the same May to July gains as the average of the past 5 years. Normal summer expansions in construction and food processing are expected, with moderate increases in steel, fabricated metals, and electrical machinery. Auto employment is scheduled to decline because shutdowns are scheduled for beginning phases of the 1962-model changeover.

*** CURRENT COMMODITY SITUATION ***

LIVESTOCK AND PRODUCTS

Meat Animals

Hog production is increasing, farm cattle numbers are probably expanding, but sheep flocks may show a reduction during 1961. Hog prices are now near a year earlier, but prices are below last June for beef cattle and sheep. Farmers' income from livestock so far in 1961 has been above a year ago. Sales of meat animals provided 30 percent of farm cash receipts last year.

The 1961 spring pig crop is 7 percent larger than last year's crop and producers plan for 2 percent more sows to farrow fall pigs. The gain in farrowings will lead to larger marketings and a downward adjustment in price level during the next year. Hog prices this summer will probably average close to last summer but prices this fall and winter will be a little lower than a year earlier.

Cattle slaughter in the first half of 1961 was about 4 percent above the first 6 months in 1960. Winter slaughter was up slightly but heavy slaughter of fed cattle this spring accounted for most of the gain. Slaughter the

rest of this year will likely continue a little above a year earlier. Even so, the year's total will probably not be large enough to halt the uptrend in inventory numbers.

Prices of fed cattle have held relatively steady in recent weeks, following a \$5.00 decline from a January high. In late June prices were about \$3.50 per 100 pounds below a year earlier.

Thus far this year lamb slaughter has been about 14 percent above a year earlier, and unusually large relative to numbers on hand. Part of this gain in slaughter came from an early movement of the 4 percent larger early lamb crop. Marketings of old crop lambs were also larger and indicate a probable reduction in sheep numbers during 1961.

The heavy rate of marketings has depressed lamb prices but should result in some easing in the slaughter rate the rest of this year. Lamb prices usually trend lower during the summer and fall, but the June-December decline will probably be less than during the past 2 years.

Retail prices of meat this summer will probably average about the same as last summer. Production of fed beef and pork will likely be a little larger than last year but output of other kinds of meats will be down. Total production for 1961 is expected to provide each consumer about the same amount of beef but 1-2 pounds less pork in 1960.

Dairy Products

The daily rate of milk output from January through May was 1 percent larger than for the same period a year ago. The gain probably would have been greater if below normal temperatures had not slowed pasture development in April and May. Milk-feed price relationships that influence milk production continue favorable, with little change expected over the next several months. For the year as a whole, output is likely to exceed the 122.9 billion pounds of 1960 by more than last year's increase of 0.9 billion pounds.

In April and May, the price of manufacturing milk increased 14 and 15 cents over a year ago to \$3.26 and \$3.25 per hundredweight, respectively, reflecting the higher price supports of March. Adjusted to annual average fat test, the prices were \$3.37 and \$3.36 respectively. Prices to farmers for all wholesale milk, at \$3.89 per hundredweight, however, were only 7 cents above 1960 in May. Class I milk prices have held virtually unchanged, and a larger proportion of total milk produced was used for manufacturing. Expected increases in Class I prices due to higher price supports were offset by the operation of supply-demand adjusters in many fluid milk markets. This occurred because total milk deliveries to fluid markets increased relative to a year ago, while sales of fluid products remained practically unchanged.

With milk production larger, and with the quantity utilized for fluid purposes little changed, more milk than in 1960 was available for use in manu-

factured products in the first part of the year. This was reflected in a greater output of all major dairy products except ice cream, which declined 1 percent. In the first 5 months of the year, production of American cheese increased 18 percent and butter 2 percent over year-earlier levels.

Civilian per capita consumption of butter apparently is running at about the same level as in 1960 and cheese use is somewhat greater. Distributions from CCC stocks are likely to increase as the year progresses. This will increase the per capita consumption of both of these products in 1961, even though the long-term decline in the per capita consumption of butter from commercial sources is likely to continue. Ice cream use per capita through spring was below 1960, partly because of unusually cool weather.

In the first 10 weeks of the marketing year beginning April 1, CCC purchases of butter under the price support program totaled 91 million pounds compared with 49 million a year earlier. Cheese purchases during the same period were 13 million pounds; very little cheese was offered to the CCC in the entire 1960-61 marketing year. Deliveries of nonfat dry milk in April and May were 6 percent above the 1960 level.

Information from Federal and State regulated markets for the first few months of the year suggest that the downtrend in per capita consumption of fluid whole milk is continuing in 1961, although aggregate consumption is not too different from a year ago. Even sharper declines appear to be in prospect for cream items. However, skim or low-fat products may show a significant rise.

Poultry and Eggs

Egg prices to farmers averaged 32.0 cents per dozen in mid-May, 1.1 cents lower than mid-May of 1960. At the beginning of June prices at terminal markets strengthened slightly as egg production passed its seasonal peak and receipts of eggs from farmers declined, but the price gains were not fully retained later in the month. Because egg production through May was slightly below the corresponding 1960 output, and demand from egg breakers and commercial storers continues active, it is likely that the low point of springtime egg prices is past.

Hatchery output of replacement type chicks in May and June declined from last year, in contrast to the larger hatchings earlier in the year. Nevertheless, the earlier increases will result in higher egg production and probably lower prices this fall compared with the like period in 1960. The January through April output from commercial hatcheries, which will govern the June-September addition of pullets to laying flocks, was 19 percent above a year earlier; later additions will be less than last year.

Mid-May average broiler prices to producers, at 14.4 cents per pound, were 1.1 cents below April and 3.1 cents lower than May 1960. May prices were the lowest since systematic price reporting for broilers began in 1940. Since

mid-May, prices have continued downward and in the third week of June southern producing areas were reporting a price of mostly 12 cents per pound, about $1\frac{1}{2}$ cents lower than at mid-May. Commercial slaughter of broilers under Federal inspection during May was about one-fifth above a year earlier. Only slight recovery of broiler prices from these lows is expected in June and early July, because chick placements in the 22 major broiler producing States were up 28 percent in April and 10 percent in May, compared to the corresponding months a year earlier. Although May placements declined seasonally from a month earlier, they will mature at a time when demand has also begun a seasonal decline. Meanwhile, broiler supplies will be ample as current and anticipated production are at levels well ahead of a year ago.

Though seasonally light, turkey slaughter thus far this year exceeds that of 1960. Federally inspected slaughter during the first 5 months of 1961 was 55 percent greater than a year earlier and average prices to farmers in mid-May, at 21.5 cents per pound, were 4.6 cents below a year ago. Supplies will continue above last year during the major marketing season, and production for the year as a whole probably will be 25 percent above the 85 million turkeys raised in 1960.

Wool

The average price received by U. S. farmers for shorn wool for the 1960 marketing season (April 1960 to March 1961) was 42.0 cents per pound, 3 percent less than the 43.3 cents per pound received for the 1959 marketing year. Shorn wool payments for the 1960 marketing year will amount to 47.6 percent of the dollar returns each producer received from the sale of shorn wool during the year compared with 43.2 percent last year. This is the amount needed to bring the average wool price up to the previously announced incentive level of 62 cents per pound under the National Wool Act. The payment rate on sales of unshorn lambs will be 80 cents per hundredweight of live animals sold.

In mid-June world wool prices were holding relatively stable at levels 2 to 5 percent below the peak reached in mid-May, 6 to 12 percent above the level of last fall and approximately the same as a year earlier. With world supplies and consumption approximately in balance, prices can be expected to remain at about the current level for the rest of 1961. The South African and New Zealand markets have closed for the 1960-61 marketing year.

The average price received by U. S. growers for shorn wool in May 1961 was 42.5 cents a pound, grease basis, compared with 41.1 cents in April and 45.4 cents in May 1960.

U. S. raw apparel wool mill consumption during January-April 1961 amounted to 78.0 million pounds, scoured basis, 7 percent less than the same period a year earlier. The seasonally adjusted average weekly rate of consumption during April 1961 was 5.0 million pounds, 10 percent more than a month earlier and 3 percent more than a year earlier. This is the first month since February 1960 that the seasonally adjusted weekly rate has been more than the same month a year earlier.

Mill use of carpet wools during the first 4 months of 1961 totaled 45.7 million pounds, scoured basis, 26 percent less than during January-April 1960. The seasonally adjusted average weekly rate of carpet wool use in April 1961 was 2.3 million pounds, 8 percent more than in March but 25 percent less than in April 1960.

If consumption continues at the seasonally adjusted rates of the first 4 months of 1961, the year's total mill use will be about 230 million pounds of apparel wool and 120 million pounds of carpet wool compared with 244 and 160 million pounds, respectively, in 1960.

Reflecting the lower mill use, imports of raw wool during the first 4 months of 1961 have been less than the same period a year earlier. Dutiable wool imports amounted to 31.6 million pounds, clean content, during January-April 1961, 2 percent less than in 1960. Imports of duty-free wool during January-April 1961 totaled 54.4 million pounds, clean content, 2 percent less than the same period a year earlier.

CROPS

Wheat

The total wheat supply for the marketing year beginning July 1, 1961 is estimated at a record 2,765 million bushels, 3 percent above the previous record of 2,685 million in 1960-61 and 47 percent above the 1950-59 average of 1,884 million bushels. The gain over 1960-61 results from an increase of about 100 million bushels in carryover which more than offsets a reduction of 20 million bushels in the indicated production.

On the basis of April 1 stocks, estimated domestic disappearance and exports in April-June, the July 1, 1961 carryover is expected to be about 1,414 million bushels. As in past years, the bulk of the carryover will be held by CCC. A carryover of 1,414 million bushels is based on exports estimated at 665 million bushels. Because of the maritime strike, which began on June 16, exports in the last two weeks of the marketing year could be curtailed, even though only U. S. flag vessels are presently affected. It appears, however, that any reduction in the estimate of exports for the year will be slight. As of June 1, the winter wheat crop was forecast at 1,121 million bushels, the spring crop at 222 million, indicating a total wheat harvest in 1961 of 1,343 million bushels. The 1961-62 supply estimate also includes an allowance for imports of about 8 million bushels, mostly of feeding quality wheat and wheat for seed.

Domestic disappearance for 1961-62 is estimated at about 610 million bushels, about the same as that estimated for the previous year. Exports are assumed at 675 million bushels. On the basis of these estimates, a carryover on July 1, 1962 of about 1,480 million bushels would result, about 70 million bushels above that indicated for July 1, 1961.

Cash wheat prices, after declining generally from late January into the latter part of May, have since strengthened. This reflects unusually large purchases for export from remaining "free" supplies of old-crop wheat even in the face of the expanding new-crop harvest. Early receipts have been readily storable, high in test weight but low in protein.

The low price for winter wheat has occurred in late June or early July in recent years with the price at Kansas City declining to a low of about 25 cents per bushel below the announced support. In 1960, hard wheat prices declined to 23 cents below the support level. With heavy export buying, the price this year may not decline as much as in 1960.

Spring wheat prices reach their low point later than winter wheat prices. In 3 of the last 4 years, spring wheat prices were lowest in late August, but in 1959, prices reached their low in late July. The small crop in that year caused prices to start advancing earlier than usual.

After the heavy movement slackens following harvest, prices to growers will advance, as in other years, reflecting the influence of the support program. The 1960-61 average price to farmers is estimated at \$1.75, about 6 cents above the average support rate after allowing for storage charges. The price in 1961-62 is again expected to average about the effective support rate.

Feed Grains

Prices of each of the four feed grains rose from April to May with greatest gains in prices of corn and sorghum grain. Large quantities of these two grains placed under price support have reduced supplies outside the support program. The heavy sign-up under the 1961 emergency feed grain program indicates smaller acreage and production are in prospect for 1961. The index of prices received by farmers for the four feed grains rose 6 percent from April to May when the index was 14 percent above the seasonal low reached last November. The May average, however, was still 4 percent lower than a year earlier.

The May average price of \$1.02 per bushel for corn was 5 cents lower than a year ago, and 4 cents below the 1960 national average price support. Sorghum grain prices advanced to \$1.56, 4 cents per cwt. over the 1960 support and 2 cents above a year earlier. With smaller total production of feed grains in prospect under the emergency feed grain program and with higher support on the 1961 crops, seasonal declines in prices of oats, barley, and sorghum grain are expected to be less than normal. In May average prices received by farmers for each of these grains were below the 1961 national average support level of 62 cents per bushel for oats, 93 cents for barley, and \$1.93 per cwt. for sorghum grain.

Average wholesale prices of high-protein feeds advanced slightly from April to May, reaching the highest level in over 2 years, 19 percent higher than a year earlier. Soybean meal prices at Decatur declined about \$10.00 to \$15.00 per ton during May and early June after reaching the highest level since August 1954. Short supplies of soybeans for crushing this summer will continue to lend support to soybean meal prices, although they may make some further decline from the spring peak.

Farmers have signed up to divert 20.1 million acres of their corn base average and 6.6 million acres of their grain sorghum base to soil conserving uses. Farmers participating in the program planted about 49 million acres of corn in 1959-60 or about 58 percent of the total acreage for the country. The 20 million acres signed for diversion were 24 percent of the national acreage and 41 percent of the base acreage on the farms of participating growers, indicating that many farmers plan to divert much more than the 20 percent minimum required for participation in the program. Grain sorghum producers signed up to divert 6.6 million acres, equivalent to 35 percent of the total U. S. acreage planted in 1959 and 1960. The base acreage of participating farmers totaled 15.8 million acres or 85 percent of the national total.

Farmers made rapid progress in planting corn and sorghum in the last half of May and on June 1 they were ahead of last year. Farmers were able to overcome the slow start in much of the Corn Belt and by June 1 plantings were about normal for that date. Pasture and ranges were about average on June 1, but below the excellent condition of a year earlier. Cool weather across the northern half of the country during May retarded growth of forage crops and spring seeded grains. Soil moisture, however, is ample over much of the country, which will promote growth of feed crops with warmer weather.

Oilseeds, Fats and Oils

Soybean oil prices (crude, Decatur) so far this season have risen sharply from the monthly average of 9.4 cents per pound in October 1960 to a peak of 13.3 cents in April, then dropped and in mid-June were 11.1 cents per pound. The October-May 1960-61 average was 11.5 cents per pound compared with 8.0 cents during the same period a year earlier. The sharp rise in soybean oil prices as well as cottonseed oil and lard reflects the slightly smaller supply of food fats during the current marketing year coupled with a new high in domestic consumption and near-record exports.

Bean oil prices during the rest of the marketing year are expected to remain strong, averaging well above the 9.1 cents per pound during June-September 1960. Strengthening cottonseed oil prices as a result of seasonally declining supplies should help maintain bean oil prices. Furthermore, prospects for a large domestic use of soybean oil along with heavy exports of edible oils will provide some strength. Soybean oil prices for the entire 1960-61 marketing year probably will average about 11.5 cents per pound, up more than one-third from the 1959-60 average of 8.3 cents.

The average price spread between cottonseed and soybean oil has been very small so far this marketing year, reflecting reduced export demand for cotton oil and a strong export demand for soybean oil. Last year cotton oil prices averaged 1.6 cents above bean oil. This is the main reason for the considerable increase in cottonseed oil consumption this year. The price differential is expected to remain small--though a slight increase is likely over the next month or so, as cotton oil supplies decline seasonally.

Soybean supplies during the remainder of the 1960-61 marketing year which ends September 30 will be somewhat smaller than those in the same period last year while demand will continue stronger. While soybean prices have dropped substantially in recent weeks, prices through midsummer nevertheless will continue to average well above last year, as bean crushers and exporters compete for the reduced supply. Thereafter, prospects for the new crop soybeans will affect prices. Favorable prices will encourage the early movement of 1961 crop beans. It is anticipated that about 5 million bushels more of new crop soybeans will have been crushed or exported before October 1 than last year. Total soybean crushings for the 1960-61 season are estimated at about 405 million bushels and exports at 141 million bushels, leaving carryover of old crop beans next October 1 at a mere 5 million bushels.

Lard production (including farm) in 1960-61 is now placed at 2,500 million pounds, about 8 percent less than the 2,729 million produced in 1959-60. Hog slaughter and yield of lard per hog killed are both down from a year ago. Exports of lard so far this marketing year are running 31 percent behind last year's rate and domestic disappearance is off 10 percent.

Lard prices (tanks, loose, Chicago) have moved up from 9.7 cents per pound in October 1960 to 12.3 cents in February, but have dropped sharply since then. Prices in mid-June at 8.3 cents per pound were approximately the same as a year ago. Lard production is declining seasonally, but will be moderately above last year, and demand is expected to remain steady. This means that lard prices during the summer probably will be firm, averaging slightly below the 9.4 cents per pound during June-September 1960.

Fruit

Prospective production of deciduous fruits in 1961 is somewhat larger than in 1960 and well above average. Larger crops than last year are expected for peaches, sweet cherries, sour cherries, California fresh plums, and strawberries, not much change for dried prunes in California and pears, but a smaller crop for apricots. The June 1 condition of apples pointed to a 1961 commercial crop considerably larger than the 1960 crop. For California grapes, the June 1 condition was better than last year for raisin grapes but not as good for table and wine varieties. Larger crops of California almonds and walnuts are expected this year than last.

Harvest and marketing of early-season fruits in California and various Southern States began about a week earlier this year than in 1960. In mid-June, weekly fresh market shipments of most fruits were heavier than a year earlier, and prices at shipping points tended to average under comparable prices in 1960. Consumer demand for fruit in 1961 is expected to be at least equal to that of last year. But grower prices for some of the 1961 fruit crops may not average as high as for the 1960 crops, mainly because of increased production.

For the 1961-62 citrus crops, the harvest of which will start next fall, the June 1 condition of oranges and grapefruit was reported below both last year and the average, but the condition of lemons was reported higher than last year. In mid-June, harvest of the 1960-61 Florida orange and grapefruit crops,

although continuing later than that of the 1959-60 crops, was nearing the end. The season for these two fruits is ending with shipping-point prices the highest since mid-winter and those for oranges much higher than a year earlier. Most of the fresh market citrus this summer, as usual, will be California Valencia oranges and lemons. In early June, remaining supplies of California oranges were about as large as a year earlier, those of lemons moderately larger. Shipping-point prices for oranges were somewhat above a year earlier.

The packing of Florida frozen orange concentrate continued heavy during May, and by early June, the 1960-61 pack, though not quite finished, was a little larger than the 1959-60 pack. Packers' stocks on June 10, 1961 were slightly larger than a year earlier. But stocks of canned single-strength citrus juices were much smaller. Stocks of nine items of canned deciduous fruits held by packers on June 1, 1961 were about 18 percent above a year earlier. On June 1, 1961, cold-storage stocks of frozen deciduous fruits and berries (excluding juices) were about 12 percent above a year earlier.

Commercial Vegetables

Fresh Market--Early June estimates indicate that moderately less fresh vegetables, excluding melons, will be available in early summer than last year, but substantially more than the 1950-59 average. Prospective production of early summer carrots are larger than last year, and cabbage, celery, and green peppers are near a year ago. But smaller supplies are in prospect for early summer sweet corn, cucumbers, onions, tomatoes, and summer lettuce. Development of crops in most sections have been delayed by cold, wet weather, but vegetables in the Southwest and Florida have made good progress.

Supplies of both watermelons and cantaloups during the next few weeks are expected to be materially smaller than a year earlier. Indicated production of early summer watermelons is down 12 percent from last year. Also, less overlap of marketings is expected from the smaller late spring crop, marketings of which are running ahead of a year ago. Production of early summer cantaloups is expected to be down about 8 percent.

Reports indicate larger acreages of late summer cabbage, and summer beets and escarole. But prospective plantings of late summer carrots, onions and watermelons, and of summer garlic, and green peas are down.

Processing--Remaining supplies of canned vegetables are moderately to substantially smaller than a year ago, with green peas and some items in the corn line, in tight supply. Supplies of frozen vegetables are materially larger than a year ago, with green peas the only major item in tight supply.

Early reports indicate about a tenth more acreage of vegetables for processing this year than last. Substantially larger acreages are expected for lima beans, beets, sweet corn, cucumbers for pickles, and green peas, and moderately more for snap beans, tomatoes, and contract cabbage for kraut. Acreage of winter and spring spinach was down, but production was up slightly.

Temperatures have averaged below normal, and the season is late, particularly in the East and mid-West. However, should yields be near the average of recent years, indicated acreages of important crops together with early reports from canners and freezers, would result in a canned pack slightly larger than last year, and a frozen pack materially larger.

Potatoes

During the next 3 to 4 weeks more potatoes will be available than a year earlier, and prices are expected to average lower. Remaining supplies of storage potatoes are larger than a year ago, and indicated spring production is up slightly. Although production of late spring potatoes in the East is somewhat smaller than last year, production in the West is up. These larger supplies are resulting in relatively low prices to producers. Kern County shipping point prices of California Long Whites, washed, averaged \$1.55 per hundredweight for the week ended June 17, compared with \$2.28 a year earlier.

Indicated production of early summer potatoes, at 14.1 million hundredweight, is moderately smaller than a year ago.

Cotton

The average 14 spot market price for Middling 1-inch cotton has increased rather steadily during the past few months. The average price for May of 31.80 cents per pound was 1.39 cents above the average for February. By June 21, the 14 spot market price had advanced to 32.28 cents per pound. The low for the season occurred on January 12, when the price was 30.09 cents per pound. By February 21, the date of the price support announcement for the 1961 crop, the price had increased to 30.47 cents per pound. The monthly average 14 spot market prices for Middling 1-inch cotton during the 1960-61 marketing year through May were below such prices in the corresponding months a year earlier.

The minimum support level at average location for Middling 1-inch cotton from the 1961 crop was set at 33.04 cents per pound. The Choice A purchase price at average location for Middling 1-inch cotton in 1959-60 was 32.42 cents per pound. The 1961 support level compares with the minimum CCC sales price for Middling 1-inch Choice A cotton from the 1960 crop in September 1960 of 29.29 cents per pound. The minimum sales price for 1960 Choice A cotton is 110 percent of the Choice B loan level plus carrying charges, 0.1 cent per pound for October and 0.2 cent per pound for each additional month through July 1961.

The average price received by farmers for all kinds of cotton from the 1960 crop to April 1, 1961, is estimated at 30.1 cents per pound. This compares with 31.66 cents per pound for the 1959 crop. Except for 1957, the average price received by farmers for the 1960 crop is the lowest since 1949 when it was 29.65 cents per pound.

Consumption of cotton during the current season is running about 800,000 bales below the 9 million bales of 1959-60. However, the ratio of stocks to unfilled orders for cotton broadwoven goods on a seasonally adjusted basis

declined from the end of December through the end of April. This decline probably indicates an increase in the rate of cotton consumption during the last half of 1961.

Imports of cotton textiles (excluding picker lap), equivalent to about 124,000 bales of cotton during January-April 1961 were about 61,000 bales smaller than during the same period a year earlier and smaller than current exports of such textiles. Exports of cotton textiles were slightly larger than during these 4 months of 1960. In 1960, imports of textiles were larger than exports during the January-April period.

Exports of cotton from the United States are estimated at about 6.5 million bales for the current season. From August 1 through April 1961 exports were about 5.7 million bales or, roughly, 200,000 bales above the same period a year earlier. However, the volume is expected to decline during the remaining months of the 1960-61 marketing year. On June 16, registrations under the payment-in-kind program for export during the 1960-61 season were 6,370,435 bales, compared with 6,807,266 bales on June 17, 1960, for export during 1959-60. Registrations under this program in recent weeks have been smaller than those during the corresponding weeks a year earlier and are expected to continue smaller during the remainder of the season. As of June 16, 1961, registrations for export during the 1961-62 season were 1,073,514 compared with only 428,270 bales on June 17, 1960, for export during the 1960-61 season. The large registrations for export after August 1, 1961, reflect sales in recent months for forward delivery, made since the announcement of an increase in the rate of export payment for the 1961-62 season.

Stocks of cotton held by CCC (owned and held as collateral against outstanding price support loans) on August 1, 1961, will probably be the smallest of any August 1 since 1952. CCC held stocks on August 1, 1952, and 1953 were about 0.3 and 2.0 million bales, respectively. On June 2, CCC held stocks were about 2.3 million bales, compared with about 5 million on August 1, 1960, and 5.2 million on June 3, 1960.

Tobacco

Consumption of cigarettes by U. S. smokers (including overseas forces) during July 1960-June 1961 is estimated at about 492 billion--2 percent higher than in 1959-60 and a new high. About another 25 billion were exported or shipped to U. S. island possessions in the fiscal year just ending. According to early indications domestic use of flue-cured and burley--the big cigarette tobaccos--made modest increases in the past year.

The number of cigars and cigarillos consumed by U. S. smokers in fiscal year 1960-61 is estimated at nearly 7 billion not much different than in 1959-60, the highest fiscal year total for many years. A significant part of the total was cigarillos which are generally less than half the weight of the full size cigar. According to a survey of the Cigar Manufacturers Association of America, sales of cigarillo size cigars totaled 948 million--13.6 percent of all cigars sold in calendar year 1960.

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Production of smoking tobacco for pipes and "roll-your-own" cigarettes in the year ending June 30 is estimated at over 75 million pounds--about 2 percent above 1959-60 and probably the largest fiscal year output since 1954-55 when it was 85 million pounds. Manufactures of chewing tobacco estimated at about 65 million pounds, and of snuff, at about 33 million pounds in 1960-61 were down about 3 and 6 percent, respectively, from 1959-60.

U. S. exports of unmanufactured tobacco in the year ending June 30, 1961, are estimated at about 557 million pounds (farm-sales weight)--9 percent larger than in 1959-60. Exports of flue-cured tobacco, accounting for about 83 percent of the total, rose about a tenth and were fourth largest in 10 years. The 10 leading outlets for flue-cured were United Kingdom, West Germany, Netherlands, Australia, Japan, Belgium, Ireland, Sweden, Egypt, and Denmark.

The only tobacco being auctioned this time of year is Maryland tobacco. The first auctions for 1961 flue-cured tobacco will begin during the latter part of July. Auction marketings of 1960 crop Maryland tobacco through mid-June totaled about 21 million pounds and averaged 63.8 cents per pound-- $3\frac{1}{2}$ percent higher than in the corresponding period of last year. About $3\frac{1}{4}$ million pounds have been received at the Baltimore hogshead market and these receipts plus the auction volume indicate that about three-fourths of the 1960 crop has moved to market.

The next issue of the Demand and Price Situation
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